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Tokyo Applauds Budget Agreement

American voters in Peoria and elsewhere have not yet rendered their verdicts, but the new five-year, $490 billion deficit-reduction agreement is playing well in Tokyo. Unnamed Japanese officials at both the Bank of Japan and the Ministry of Finance -- not known to be enamored of the United States Congress -- praised that beleaguered American institution in addition to the Bush administration for working out the complicated, politically difficult accord.

Analysts on both sides of the Pacific believe that the Federal Reserve Board now may feel freer to ease monetary policy since it does not have to be quite so worried that doing so would set off inflation, the likely result absent the new agreement. Such a Fed move then would open the door for similar BOJ action should the dollar, as would be likely, drop even lower than current ranges in response to lower U.S. rates. In short, the budget agreement may have liberated the central banks in both the United States and Japan.

The Bank of Japan appears to take a dim view of this scenario because in public, at least, it does not agree that Japan's economy needs the boost that

U.S.-bound flights. Japanese negotiators also said that talks with European carriers may yield some additional evening slots. European airlines, which to date have served the Euro-Japanese market via Anchorage, Alaska, are interested in changing to a flight path that takes them over Siberia. If these talks proceed smoothly, the preferred takeoff time for European carriers would be in early morning; this, Japanese negotiators pointed out, also would make more evening slots available for east-bound UPS flights. However, since a trans-Siberian flight path requires Soviet Union permission, Tokyo could not guarantee that the European carriers would win these rights.

Washington rejected both of these options. According to American sources, UPS still would have no long-term guarantee that it could depart Tokyo at the times best-suited for U.S. deliveries. DOT also is concerned about how "temporary" slots for UPS would affect Tokyo's future award of landing rights to Delta and American.

Further formal discussions have yet to be scheduled, although U.S. officials maintain that there have been frequent informal communications between the two governments at the working level. Washington also evidently has encouraged UPS to consult on its own with Japanese officials in an effort to realize a breakthrough. But the prospects for a near-term resolution of this dispute appear fairly dim. Japanese negotiators reportedly have reminded their American counterparts that Tokyo would be more willing to accommodate the UPS request if Washington would issue JAL and NCA start-up rights for Chicago flights. U.S. negotiators, however, refuse to relinquish the leverage provided by withholding access to the lucrative Midwest market. The stalemate continues -- as has been the pattern in bilateral aviation negotiations for more than a decade.

Barbara Wanner

Japan Sets Plan To Stabilize Emissions Linked To Global Warming

Japan's plan for stabilizing by the year 2000 emissions of carbon dioxide and other gases associated with the potential warming of the earth's atmosphere might be considered lukewarm in Germany but radical by some in the Bush administration. While the stabilization plan falls short of the reductions laid out earlier this year by Bonn, its existence puts pressure on Washington, which so far has refused to come up with a policy addressing CO_2 emissions. Although the scientific world continues to assess the chance that a variety of gases could cause global warming sufficient to melt polar icecaps and cause massive temperature disruptions, Tokyo has adopted the view that a worst-case scenario of global warming would "pose a serious threat to the very foundation of human life on earth."

To offset that risk the cabinet October 23 adopted a target of stabilizing carbon dioxide emissions at 1990 levels by the year 2000 and keeping other so-called greenhouse gases, such as methane and nitrous oxide, at their current levels. The stabilization goal aims at both per capita emissions, estimated at about 2.4 to 2.5 tons for the average Japanese in 1988, and aggregate CO_2 discharges, figured by Japanese officials to be about 342 million tons in 1990. The speed at which emissions are increasing as a result of fossil fuel-burning and the disappearance of forests that absorb CO_2 can be seen in a comparison

with 1988 figures put out by the Carbon Dioxide Information Analysis Center in Oak Ridge, Tennessee. That year Japan emitted 296.9 million net tons compared to a figure of 1,445.2 million net tons for the United States as a whole or 5.8 tons per capita (see Table for metric equivalents).

Carbon Dioxide Emissions in Japan, United States and World, 1968-88

(in millions of metric tons)

	Japan	United States	World
1968	154.0	1,081.0	3,596
1973	250.7	1,275.4	4,647
1978	260.2	1,300.9	5,082
1983	239.9	1,149.4	5,084
1984	264.3	1,187.5	5,260
1985	254.2	1,201.3	5,379
1986	248.9	1,204.5	5,561
1987	246.9	1,257.5	5,680
1988	269.8	1,310.2	5,893

Source: Carbon Dioxide Information Analysis and Research Program, Oak Ridge (Tenn.) National Laboratory

Pointing to Japan's past record of energy efficiency, business interests allied with the Ministry of International Trade and Industry and argued against responding too aggressively in restricting greenhouse gas emissions, lest the rules constrain economic development and Japan's slowly increasing standard of living (for example, more cars and appliances, including air conditioners). This group worried in particular about the economic impact on Japan if other industrialized nations, namely the United States, failed to enact similar measures. However, confidence in Japan's ability to develop technological breakthroughs that will conserve energy or recycle and reduce greenhouse gas emissions helped win acceptance of a stabilization program. The adopted 20-year plan is much stronger than the "New Earth 21" program previously recommended by MITI, which had called for first stabilizing emissions over a 50-year period and then reducing them in the next 50 years (see JEI Report No. 27B, July 13, 1990).

Pressure for an international agreement to reduce carbon dioxide emissions also added to Tokyo's decision, announced prior to sending delegates to a 10-day climate change conference in Geneva. That United Nations-sponsored conference, which began October 29, is expected to produce a framework for talks next February in Washington on a global warming accord. A draft prepared for that forum urged stabilization, but preferably reduction, of emissions by 2000. Among the countries that reportedly have agreed to reduce CO_2 emissions are Germany, Austria, Denmark, Australia and New Zealand. The European Community is said to be considering a freeze on current levels of emissions by 2000 or 2005. On this issue, wrote the authors of Japan's global warming program, ". . . it is essential for Japan to take the lead in global efforts through international cooperation by making use of its advanced technology and ample experience in the conservation of the environment."

Program goals call for:

- Reduction of emissions from all transportation equipment -- cars and trucks as well as trains, ships and airplanes -- through improved fuel efficiency, either by switching to hybrid fuels, redesigning engines and/or creating lighter-weight frames. In this area motor vehicle exporters have an incentive: meeting new emissions standards adopted in the Clean Air Act just passed by Congress. Japanese makers worry, though, that they will have to break new ground to achieve the uniform tailpipe emissions reductions set by Congress. They also note that equipment to trap emissions currently adds weight, thus detracting from fuel efficiency at a time when both Tokyo and Washington are encouraging better gas mileage. (Tokyo's plan reportedly sets a fuel economy goal of about 31.3 miles per gallon in 2010, or 15 percent more than the 27.2 mpg average in 1988, still far less than the 40 mpg considered but rejected by Congress this year.)

- Promotion of cogeneration systems and use of heat now wasted in such areas as subways and sewage plants.

- Development of nuclear energy, which emits no carbon dioxide, "subject to the assurance of safety." Also supported are hydroelectric, natural gas and geothermal power plants. The use of oil as a fuel, however, is expected to drop from 57.9 percent of the nation's energy consumption in FY 1989 to 51.3 percent in FY 2000 and 45.3 percent in FY 2010, according to a separate forecast from MITI. The ministry's advisory group on atomic energy has urged construction of an additional 40 nuclear power plants in the next 20 years on top of the 39 now in operation.

- Reduction of peak-hour energy demand through the use of central controls.

- Promotion of mass passenger transportation as well as increased attention to new designs (of intersections as well as expressways) that improve transportation flows.

- Promotion of bulk freight transportation systems, specifically railways and ships, with improved terminals and information systems to increase efficiencies. Already the Tokyo metropolitan government has announced that it will limit truck traffic on city streets on Wednesdays between November and January. The goal is to reduce nitrogen oxide emissions by 30 percent during the winter months when weather conditions trap pollution.

- Promotion of alternative sources of energy and energy-efficient machinery in manufacturing as well as in agriculture, forestry and fisheries.

- Cutbacks in excessive packaging, the number of vending machines and unsolicited direct mailings as well as increased recycling and use of recycled materials.

- Reduction of working hours and consideration of daylight savings time to reduce work-related energy consumption.

- Adoption of insulation and energy-saving measures in construction, including passive solar systems and the use of greenery to cut the "heat-island phenomena in urban areas."

Beyond these targets to control emissions of greenhouse gases, the cabinet-approved plan urges improvements in forestry techniques aimed at sustainable management, not only domestically but through cooperative efforts internationally. The proposal recommends formulation of an international charter to maintain forests but acknowledged the sovereignty of nations with tropical forests. Since Japanese companies have been much criticized over their logging practices in Southeast Asia (see JEI Report No. 10A, March 9, 1990), this part of the plan would appear to signal more government involvement in conservation efforts.

The plan also calls for increased research into technologies that control greenhouse gas emissions or provide ways to prevent desertification. The report stresses the importance of technology transfers so that developing nations' energy usage does not destroy the inroads made by Japan and other industrialized nations against the proliferation of greenhouse gases. And, finally, the outline backs studies into how to cope with global warming, for example by developing seeds that can adapt to warmer climates or technologies that counteract rising sea levels.

Annual reports to the Council of Ministers for Global Environment Conservation, which is headed by the prime minister and consists of 20 ministery and agency heads, will track progress. While the measure has its detractors at home and abroad and relies greatly on administrative guidance, international efforts to reduce carbon dioxide emissions and worries over oil supplies in light of the Persian Gulf crisis may be sufficient to move Japan toward even greater energy efficiencies in the upcoming years.

Pat Murdo

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The views expressed in this report are those of the authors and do not necessarily reflect those of the Japan Economic Institute.

NOTE

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PUBLICATION HAVE BEEN FILMED

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